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**Written Testimony  
of  
Roger Johnson  
North Dakota Agriculture Commissioner**

**USDA Farm Bill Forum  
North Dakota State Fair  
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**Introduction**

Good afternoon, I'm Agriculture Commissioner Roger Johnson. On behalf of North Dakota's family farmers and ranchers, thank you for this opportunity to discuss the future of American farm policy.

**Background**

Agriculture is a strong part of our heritage here in North Dakota. Agriculture is the cornerstone of our state's economy, generating more than \$4 billion in cash receipts last year alone. We're the nation's leading producer of more than a dozen commodity categories – flaxseed, canola, dry edible peas, durum wheat, pinto beans, spring wheat, all sunflowers, oil sunflowers, non-oil sunflowers, barley, lentils, all dry edible beans, honey and oats.

Ward County – home to Minot and these fairgrounds – is a one of North Dakota's top producing counties of flaxseed, canola, barley, wheat and sunflower. The Minot area will soon be home to the largest biodiesel production facility in North America. North Dakota Biodiesel, Inc. has announced plans to construct a 30 mmgy biodiesel production facility, utilizing canola as the feedstock. What an exciting opportunity for the Minot area and the entire state!

Minot is also home to the North Central Research Extension Center, which is located one mile south of Minot on U.S. Highway 83. The center, established in 1945 for agricultural field research and pure seed increase, has a well-trained staff that conducts research in grain variety evaluation, weed control, tillage and fertilizer tests. The research is conducted on small grains,

oilseeds, row crops, legumes, forages and other specialty crops; and production is evaluated for no-till and conventional tillage cropping systems.

While North Dakota farmers and ranchers are continually challenging themselves and their businesses to grow and meet the demands of the global marketplace and its customers, they also continue to rely on federal farm policy to provide basic support for the production of domestic commodities. That is what brings us here today – to have a discussion about our farm policies and to talk about what changes are needed.

### **2007 Farm Bill: Key Points**

USDA has outlined six specific questions to address in testimony at this forum. The questions raise a number of thought provoking issues relative to farm policy. Since my time here this afternoon is brief, let me focus on a few key points I think should frame the discussion on future farm and trade policy in this country.

1. **The 2002 farm bill is a solid starting point for the upcoming farm bill debate.** On balance, the 2002 farm bill was a significant improvement over the 1996 farm bill. The 2002 farm bill provides countercyclical assistance to producers and establishes higher loan rates for a number of commodities. It also places additional emphasis on conservation and environmental stewardship. We need to maintain these elements and fight off attempts to eliminate them through trade agreements and rules.
2. **We must enact payment limits to restore public confidence in farm programs** and to ensure that farm programs are achieving their goal of supporting a diversified and dispersed network of small and moderate sized family owned and operated farms. We must eliminate ambiguous multiple eligibility loopholes and virtually unbridled farm program payment levels that lead to accelerated concentration and consolidation in agriculture.
3. **We must recognize that our agriculture, energy and trade policies are intertwined. All of these policies must work toward the common goal of protecting the environment and providing opportunities for domestic agriculture to survive and thrive:**
  - i. Domestic farm policies must provide an adequate safety net for agriculture, reward environmental stewardship and offer sound rural development incentives to help grow the heartland of this country.
  - ii. Our energy policies should promote the use of renewable sources of energy from agricultural products, such as ethanol and biodiesel. The energy title in the farm bill should be significantly expanded.
  - iii. Trade policies must be fair, and we must protect our ability to provide domestic support and incentives to our agricultural producers. The continued onslaught of “free trade agreements” are sold to the public as being positive for American agriculture. However, the free trade proponents focus on increased export opportunities, but most often fail to recognize the impacts of increased imports on our producers.
4. **Technology and research and development are keys to the future success of US agriculture.** We can no longer rely on production alone to propel our future in the global

marketplace. We must redouble our focus on public research and development and technology that can be quickly adapted and implemented by our nation's producers.

5. **Implementing mandatory country of origin labeling (COOL) for meat and meat products and developing an effective animal identification program will provide producers and consumers with information about the products they buy, raise and sell and serve to differentiate our high quality products in the marketplace. Eighty-two percent of US consumers want their food labeled with the country of origin!<sup>1</sup> So do North Dakota farmers and ranchers.**
6. **Crop insurance programs must be reformed and simplified to better serve agricultural producers. The present programs are cumbersome. They need to be simplified and made more user-friendly. We must find solutions for the quality loss issues, and we must ensure that crop insurance policies are able to reflect actual market conditions.**

The balance of my written testimony provides more specific answers to the questions posed for today's hearing.

**#1 How should farm policy be designed to maximize U.S. competitiveness and our country's ability to effectively compete in global markets?**

**Technology and Research & Development are Keys to Success**

Every day the world grows a little smaller as countries and cultures become more closely integrated through business and global trade. Domestic agricultural policies and trade policies must be crafted to ensure that our producers have the tools they need to remain the world's leaders in agricultural production and technology.

We must redouble our focus and provide more public investment in research and development so that our producers are setting the global pace for technological advancements in agriculture. The United States must lead in these areas in order to maintain a competitive status in the world.

Research funding has decreased or remained flat over the last several years. During the 2004 fiscal year, public funding for research and development in agriculture declined by \$223 million or a drop of 10.3 percent.<sup>2</sup> Earlier this year, the President proposed budget cuts to research that would reduce program funding and shift toward funding from competitive grants and other competitive sources. This fundamental policy shift in funding is the wrong direction for the future of public research. Base program funding for research should be maintained and bolstered so that our researchers are guaranteed the means to conduct the research our industry depends on.

Developing countries, such as China, Brazil and India, have significant agricultural industries that are growing every year. These countries are only a few steps behind the US in terms of production, and their producers have access to much of the same technology as our producers. These developing countries also have an abundance of natural resources, very cheap and plentiful labor, and few overall structural costs within their borders. In addition, the costs

<sup>1</sup> Penn, Schoen & Berland Associates, January 13-14, 2004 – for National Farmers Union

<sup>2</sup> <http://www.aaas.org/spp/rdprev04pt.htm> 07.18.05

associated with developing technology have been absorbed by mature economies, such as the United States.

In examining trade trends and projections for trade and production, the US is projected to remain stable in future agriculture production. At the same time, developing countries will continue to see strong growth, creating a more competitive trading environment. The baseline projection assumes steady U.S. and global economic growth which will provide a favorable demand setting for field crops, supporting longer run increases in consumption, trade, and prices.

Projections have been made for the eight major crops produced in the US: corn, sorghum, barley, oats, wheat, rice, upland cotton, and soybeans. The projections come from the Economic Research Service (ERS) and give figures through 2015.<sup>3</sup> For the eight major field crops in the US, plantings will increase slowly in the baseline from a low of 247 million acres to nearly 252 million acres by 2014. Corn, wheat, and soybeans account for about 87 percent of acreage for the eight major field crops.

**Corn** acreage rises gradually as increasing exports and domestic demand lead to rising prices and net returns. The increase in corn plantings is facilitated, in part, by a reduction in soybean acres.

**Wheat** acreage falls below 59 million acres early in the projections period, reflecting lower prices. A moderate increase in land planted to wheat is projected over the rest of the baseline as gains in demand exceed increases in supply provided by rising yields, thus raising prices and providing incentives to plant.

**Soybean** acreage declines further through 2009 as higher prices and net returns for competing crops, particularly corn, provide incentives to switch some land from soybeans. Soybean plantings then stabilize in the remaining years of the projections.

Strong agricultural trade competition is expected to continue in international commodity markets from traditional exporters such as Argentina, Australia, and Canada, and also from countries in the process of making significant investments in their own agricultural sectors, including Brazil, Russia, Ukraine, and Kazakhstan. China is projected to be a net importer of corn in the baseline starting in 2007/08, reflecting declining stocks of grain and increasing incomes, which raise consumer demand for meat and derived demand for feed for a growing livestock sector.

Brazil's rapidly increasing area planted to soybeans enables it to gain a larger share of world soybean and soybean meal exports, despite increasing domestic feed use. Its share of world exports of soybeans plus the soybean equivalent of soybean meal exports rises from about 35 percent in recent years to 45 percent by 2014. Kazakhstan and Ukraine are projected to have a growing importance in world wheat trade, reflecting low costs of production and continued investments in their agricultural sectors. Their share of world wheat exports is projected to

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<sup>3</sup> <http://www.ers.usda.gov/Breifing/Baseline/crops.htm>

increase from 4-6 percent in recent years to about 11 percent by the end of the period. However, high year-to-year volatility in these countries' production and trade can be expected.<sup>4</sup>

The US is a leading producer, but not a low-cost producer, of agricultural products. We must focus on research and development, technological advancement and adding value through niche markets to remain competitive in the global marketplace. The US has historically held the upper hand in advancements both in technology and research and development (R&D). It is critical that we stay on the cutting edge of technology, working to ensure resources are directed to public research and development. We are falling behind in these areas, and recent efforts by this Administration to cut funding will set us back even further!

Ample funding must be available to researchers in our land grant universities so that the technology and advancements can be implemented at the producer level – by producers. By keeping a steady pace on this treadmill of discovery, the US will be able to maintain a safe, secure domestic food supply and persevere as a leader in agriculture advancement and remain competitive on a global level.

### **Fair, Free Trade**

Trade policy – domestic, bilateral, and multilateral – has tremendous direct implications on our domestic agricultural industry. Our federal government must place great emphasis on future agricultural trade negotiations and must reject the philosophy of "trading at any cost." We need fair trade policies that level the international playing field. Achieving fairness in trade will take more than trading fairly ourselves. We must insist that major food producing countries approach international trade with "good faith" and fairness in mind.

Free trade aims to increase efficiency and to equalize unequal cost structures across varying economies. Every country has the inherent right (even obligation) to feed its own people – as long as their policies do not cause overproduction, leading to excess capacity that drives down global prices. We must provide domestic support for our own producers while working toward long-term agriculture policies that do not stifle the economies of lesser developed countries who are trying to rise above poverty and subsistence levels of living.

US leaders need to ensure that free trade agreements do not impede our ability to continue research, development, and technological advancements for agriculture.

As international trade increases in importance, we need to move quickly to fully implement country of origin labeling and animal identification methods within our own borders. I strongly support the 48-hour traceability goal and will continue to work closely with USDA to ensure the safety of our agriculture products as well as the safety of our producers and consumers.

Our future lies in product differentiation, higher quality standards and increased consumer confidence. Country of origin labeling moves us in that direction. It must be a system that consumers can trust and have confidence in. Our nation's producers need a system by which their products can be differentiated from foreign products being sold in the United States. US agricultural producers operate under some of the strictest food safety rules in the world. These

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<sup>4</sup> <http://www.ers.usda.gov/Briefing/Baseline/trade.htm> 07.18.05

rules are sometimes frustrating for our producers, but I believe that our entire agricultural industry has much to gain from implementing country of origin labeling.

The recent confirmed cases of Bovine Spongiform Encephalopathy (BSE) are yet another reminder of why differentiation and labeling are important. Labeling the origin of food cannot and will not prevent the occurrence of animal disease; however, the labels can serve as a tool for consumers to differentiate the products they buy. To the extent that quality or health related issues surrounding our food products can be confined to smaller market segments, the integrity of our food system will be maximized, the likelihood of catastrophic market losses will be reduced and consumer confidence will be strengthened.

To that end, I strongly support S 1331, which moves the implementation date for country of origin labeling (COOL) up from September 30, 2006, to January 30, 2006. USDA has fought tooth and nail against the implementation of COOL since it was passed as part of the 2002 Farm Bill. Public sentiment and producer sentiment are clear – COOL should be implemented, and not in a voluntary fashion. The USDA grade stamp should be used only on US born, raised, & slaughtered meat. By allowing our nation's stamp to be put on all meat entering the market, we confuse consumers and are in no safe way guaranteeing the quality or origin of the product. We are able to identify where our fresh produce, clothing and cars come from – why not our steaks, too? Consumers and producers have the right to know what they are buying and selling. It's time to meet the demands of over 80 percent of US consumers and enact mandatory COOL on meat and meat products!

**#2 How should farm policy address any unintended consequences and ensure that such consequences do not discourage new farmers and the next generation of farmers from entering production agriculture?**

**Create Long-term, Sustainable Policies**

Working to encourage coming generations to enter into the fields of the agriculture industry is a challenge. Historically, the US has focused on farm programs that target reducing barriers which prevent new farmers from entering the industry. Although beginning farmers have access to low interest loans, are provided low cost methods of record keeping, and are offered cutting edge technological training, the programs need to be strengthened. We must continue to work to implement farm programs that create an attractive environment for new producers.

The number of US farmers and ranchers continues to decline, and the farm population is aging. Many young people are not returning to agriculture to build their careers. The average age of a farmer in North Dakota is 53.9 years, and the average age of a farmer in America is 57 years.<sup>5</sup> Something must change in order to get younger generations back onto our farms and ranches. The percentage of principal farm operators less than 35 years of age was 5.8 percent in 2002.<sup>6</sup> Of

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<sup>5</sup> NASS 2002 US Agriculture Census [http://151.121.3.33:8080/Census/Pull\\_Data\\_Census](http://151.121.3.33:8080/Census/Pull_Data_Census) 7/12/05

<sup>6</sup> Agricultural Outlook Forum 2005 - February 25, 2005  
<http://www.nass.usda.gov/census/census02/otheranalysis/demographicpaper022505.htm>

the 803,127 US farms that reported multiple operators, 609,496 of them (75.9 percent) consist of operators from the same generation. Thus, only 9.1 percent of all farms (or 193,631 of the total 2,128,982 operations) indicate that they have operators from different generations working on their farms—as operators.<sup>7</sup>

We must also work to bolster programs such as FFA and 4-H around the country. These programs are a valuable resource for young people. FFA's motto encapsulates so much of what the organization has to offer – "Learning to Do, Doing to Learn, Earning to Live, Living to Serve." Involvement in 4-H & FFA provides young people with the opportunity to learn about agriculture, leadership, citizenship and life skills.

### **Impacts of Policy and Improving Producer Incomes**

As we work to retain young farmers and ranchers, we must analyze the unintended consequences of past farm policies and implement new policies that avoid similar consequences. Issues such as excess capacity, the continued increase of land values, and growing economic concentration are some of the unintended consequences of agricultural policies. The US has long worked to ensure a cheap food supply for our country. These policies have led to increased crop production and the use of all available lands, including marginal lands.

Domestic farm policies in recent years have also led to increased capitalization of land values. Increased land values are positive when they contribute to a healthy and growing economy. We've reached a point, however, where land values are often too high for young farmer investment. In many cases, fixed farm payments have been quickly capitalized into land values. Land values have also increased due to competing interests for land, including urban sprawl and recreation use. New farm policy should serve to reduce the correlation between government payments and land values. Payments that are directly tied to land, as opposed to production or uses, should be eliminated or significantly reduced, as such payments are almost always directly capitalized in land values.

The continued consolidation and concentration in agriculture is another deterrent for young farmers and ranchers, as concentration drives out profitability. Money is pouring into the pocketbooks of just a few firms, while producers struggle to make a profit and cover their increasing cost of production.

Four major firms – Tyson (formerly IBP Inc), Cargill, Swift & Co. and National Beef Packing Co. – control nearly 84 percent of the beef packing markets. Similarly, four pork packers control 64 percent of that industry. The flour milling industry is controlled by four major firms who hold 63 percent of the market. Wal-Mart dominates in food and grocery retailing with \$66.4 billion in grocery sales and \$244.5 billion in annual sales.<sup>8</sup>

Economic concentration needs to be broken up to allow fair market access for our producers and to ensure a sustainable future for agriculture in this nation. We need to create long-term policies that allow us to produce an adequate domestic food supply, without unnecessarily relying on

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<sup>7</sup> see previous reference

<sup>8</sup> Hendricks, M & Heffernan, W. Concentration of Agricultural Markets, 01/2005.

outside sources to feed our country. At a time of global inter-dependence, it is important to maintain a secure food supply within our own national borders. Economic concentration needs to be dealt with now so we can guarantee food security for our citizens by our own American producers.

By addressing some of these unintended consequences, we can improve the agriculture industry as a whole, thus making it a better career option for our upcoming farming generations.

### **#3 How should farm policy be designed to effectively and fairly distribute assistance to producers?**

When we discuss farm policy, I believe there are two fundamental questions that need to be answered:

- Do we care where our food comes from?
- Do we care who produces our food?

I believe the answer to both of the questions is "yes." If we want our food produced right here at home by family farmers and ranchers, then we certainly need a domestic farm policy that supports agriculture and rural America. And we as public policymakers have a responsibility to craft public policy that meets the needs of our country. Public confidence in farm programs and their delivery has weakened in recent years, due in part to the work done by the Environmental Working Group (EWG) to create a database that lists all recipients of farm program payments. We need to restore public trust in domestic farm policy.

Effective payment limitations are a necessary part of future farm policy. Some argue that payment limitations are discriminatory against large farms. However, this argument rings hollow. Many federal assistance programs contain means tests and other eligibility restrictions that successfully target assistance to the intended recipients. Should farm program assistance be any different? Again, if we are to be responsible to the public's expectation for farm programs, the goal should be to provide the greatest support to small and moderate-sized, family-owned and operated farms. Implementation of hard and fast payment limitations would make considerable progress toward achieving this goal. Large farms, whether family operations or not, would still be eligible for assistance. However, the taxpayer would not and should not be expected to subsidize farm operations beyond reasonable levels.

It is important to note that in 1998, only 36 percent of farms reported receiving government payments of some type from commodity, conservation, or other environmental programs. It is also important to note that larger farms received a disproportionate share of payments to their numbers, with the largest 8 percent of farms receiving 47 percent of all government farm payments.<sup>9</sup> In framing farm program payment limitations, we must determine what size and type of farms most need farm policy benefits. Payment limitations must be restricted to the small and mid-size farm levels and additional assistance provided on the front end if small to mid-size farms are to be competitive with large farms. This is also critical for restoring integrity to farm programs and credibility with the public.

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<sup>9</sup> (USDA, *Structural and Financial Characteristics of US Farms: 2001 Family Farm Report*,)



Further, payment limitations and reduced farm program eligibility would not prohibit anyone from operating as large a farm or farms as he or she desires. What tighter restrictions would prohibit is a "fleecing of America" by eliminating the flow of millions of public dollars to farm operations with household incomes many times that of the average American. I believe that federal farm policy should limit top end payments and redirect those savings to additional needed assistance to smaller and mid-size farms.

### **Crop Insurance Reform is Needed**

Crop insurance is critically important to North Dakota producers and producers throughout the country. Crop insurance programs, however, are becoming increasingly cumbersome and complicated. Every year, farmers are expected to sort through stacks of technical information on every major crop grouping – in a very limited amount of time – to decide what coverage is best for their farm operation. Farmers in other parts of the country may only be growing two crops. Many North Dakota producers have diversified operations that may include a half dozen or more crops often with specific crop insurance nuances applying to each crop, making the process even more complicated. Crop insurance programs must be simplified so that farmers can make the best possible coverage decisions.

The sign-up period for crop insurance programs should also be adjusted. RMA and insurance companies do not finalize their adjustments to crop insurance programs until December of each year. Farmers and crop insurance agents are left to sort out the details of these policy changes and make decisions before the crop insurance sign-up deadline of March 15. I would urge RMA to consider adjusting the deadline for completion of crop insurance changes to November 15<sup>th</sup> of each year, to allow an additional month for producers to sort out the crop insurance changes and make the best possible choices for their farms.

I also believe that the most beneficial crop insurance subsidies should go to those farmers who insure their crops under a "whole farm" approach. Crop insurance should be written so that all production, divided by all acres, would be counted for losses and actual production history (APH). This approach would serve to lessen abuse of crop insurance programs.

Crop insurance adjusters need to be more closely connected to RMA. I would urge RMA to create a certification process for independent contractors to adjust and measure for both loan and insurance purposes. Currently, the adjusters are employees of the companies providing the insurance.

Last, but certainly not least, we must find a solution to deal with the ongoing quality loss issues. Over the past several years, erratic weather conditions have caused major economic losses for North Dakota agriculture producers. They are very frustrated with the disparities between quality discounts received in the marketplace and quality loss adjustments provided by crop insurance. USDA should take action to establish quality loss adjustment procedures to improve the relationship between quality loss adjustments and actual discounts received in the marketplace. We need to ensure that crop insurance policies are able to reflect actual market conditions.

#### **#4 How can farm policy best achieve conservation and environmental goals?**

##### **Streamline Environmental Programs**

Conservation and environmental programs have become far too regulatory, cumbersome, and inflexible. The federal government must strive to streamline the implementation of conservation and environmental programs. The availability of programs should be continuous and sign-up periods must be adequate to meet the needs of busy agricultural producers. For example, the current CSP, while an excellent program, is vastly under funded and is available to farmers for only a brief period of a couple of months once every eight years!

As farm policy shifts increasingly toward environmental incentives and programs, there will be a greater need for streamlined programs and education and information for producers. Recall if you will, the Great Plains Contract program of the 1970's – this was a whole farm resource planning program, applying multiple programs to one single farm under one single contract. I believe we need to streamline the application of our agriculture programs so that producers can have their operations evaluated and receive information on all of the incentives and programs that may be available to them as individual operations. Programs should be coordinated so that producers are asked to supply the needed information only once, and the documentation should crossover to other programs as necessary.

##### **The Promise of Alternative Energy Sources and the Benefits to Agriculture**

Agriculture is a producer *and* a consumer of energy. We need to replace what we use to secure the future for other generations. A number of environmental and conservation programs idle agricultural land. We must focus on turning those idled lands into working lands - utilizing them to implement sustainable production practices and to produce renewable forms of energy, while still providing benefits to the environment.

Oil prices are at an all time high, reaching more than \$60 per barrel in recent weeks. While our dependence on the use of fossil fuels will continue well into the future, we must look at diversifying our energy portfolio and developing and utilizing renewable forms of energy.

The United States currently imports 61 percent of our oil supply versus approximately 36 percent during the energy crisis of the 1970's.<sup>10</sup> The U.S. Energy Information Administration estimates that the United States will import 77 percent of our country's oil consumption by 2025.

The US marketplace is too often overlooked by agriculture as we focus on acquiring new international markets. We can and must do more to promote the production and usage of renewable fuels such as ethanol and biodiesel. Biodiesel and ethanol are great examples of new demand, and new demand results in a bigger pie, not just a bigger piece of the old pie. Continuing to pursue the production of ethanol and biodiesel will help us lessen our dependence on foreign oil, create value-added opportunities for our farmers, and provide an environmentally-friendly choice to consumers at the fuel pump.

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<sup>10</sup> Energy Information Administration/Annual Energy Review

Agriculture holds the promise of a number of renewable energy sources, such as ethanol, biodiesel, wind and biomass. North Dakota is home to two ethanol facilities, which produce approximately 34 million gallons of ethanol per year. Recently, two additional facilities have been announced, which will add an additional 100 million gallons of capacity.

Our biodiesel industry is also on the move. As I mentioned earlier in this testimony, a 30 million gallon state-of-the-art biodiesel production facility will be built right here in Minot, with production set to begin in September 2006. A crushing facility and an additional biodiesel production facility are being discussed for the eastern part of the state.

These renewable energy industries are poised for explosive growth in the coming years. I am hopeful that Congress will reach agreement yet this fall on the federal energy bill that includes a renewable fuels standard and renewable portfolio standard for the use of biofuels and renewable electricity in this country. I also believe that we need to strengthen the Energy Title of the Farm Bill – providing new incentives for agriculture to develop new technologies and sources of renewable energy that will stand to benefit the entire country.

#### **#5 How can Federal rural and farm programs provide effective assistance in rural areas?**

##### **Education, Funding and Opportunities for our Rural Areas**

Policies favoring large farms plainly have an adverse impact on rural communities that depend on local farm economies. Fewer farm families translate into diminished population bases, reduced demand for local businesses and services, weakened school districts and churches and general community decline. Support for small- to medium-sized farms translates into stronger, more vital rural communities.

Efforts such as the New Homestead Act, sponsored by US Senators Byron Dorgan and Chuck Hagel, offer incentives to attract new rural residents. Such initiatives should be pursued by federal policymakers in cooperation with the states.

North Dakotans often feel that federal rural development policies can and should do more to assist in the revitalization of America's heartland. More should be done to assist in providing technology, such as cellular telephone service and high-speed Internet transmission, to our rural areas, allowing rural residents to work from their homes or other remote locations. Other policies must be developed to help small businesses find markets and to improve education for both children and adults, including better access to the higher education necessary to guaranteeing our future and success.

#### **#6 How should agricultural product development, marketing and research-related issues be addressed in the next farm bill?**

##### **Quality Assurance and Product Differentiation of US Agriculture Products**

Many producers and consumers alike are understandably dismayed at the prospect of involving themselves in international trade. Education and communication are vital to helping these

producers overcome their reservations and to make them active participants in promoting and moving U.S. agricultural products around the world.

Funding is likewise vital to domestic and overseas promotion of agricultural products. We need to ensure that future trade agreements allow our successful promotional and marketing programs, such as the outstanding efforts of the Foreign Agriculture Service (FAS), to continue. A good example of an FAS effort is the Marketing Assistance Program (MAP). This program helps food companies expand their markets and increase sales of North Dakota food and agriculture products by providing matching funds for travel and lodging expenses.

### **Marketing Success in North Dakota**

Successful federal programs are complemented by North Dakota programs. For example:

- **Marketplace for Entrepreneurs** is an annual, two-day, rural development exposition that U.S. Senator Kent Conrad and I co-sponsor. Often described as a "supermarket of ideas, information and resources," Marketplace encourages and assists North Dakotans in investigating and developing ideas for supplementing income and creating new enterprises.<sup>11</sup> We are grateful for the assistance and participation of USDA in Marketplace.
- **Pride of Dakota**, a cooperative marketing program administered by the North Dakota Department of Agriculture, now counts more than 400 member companies, ranging from large corporations to "mom-and-pop" enterprises. The program offers a state brand, sales events, educational opportunities and representation at regional, national and international trade events.
- **The Agriculture Products Utilization Commission (APUC)** is the result of the bipartisan Growing North Dakota initiative of the early 1990s. APUC provides start up assistance for qualifying North Dakota companies that add value to raw North Dakota agriculture commodities.<sup>12</sup> The program has awarded nearly \$5,000,000 in funding for agricultural projects since 2001.<sup>13</sup>

### **A Word About Cuba**

Like many other states, North Dakota has actively sought to open agriculture trade with Cuba, despite resistance from the federal government. Current US policy allows for pre-paid, cash-only sales of food and medicine to Cuba. The US Treasury's Office of Foreign Assets Control (OFAC) recently changed the definition of "cash sales" to mean that Cubans must pay cash for US goods before they are allowed to leave US soil, instead of making a cash payment at the Cuban port. This definition is not used by the US relative to any other country on earth. It is a direct slap in the face to the Cubans and is resulting in significant loss of US farm product sales to Cuba. This policy is inconsistent with other US agricultural export policies and must be

<sup>11</sup> Market Place for Entrepreneurs website <http://www.marketplaceofideas.com/aboutus/vision.asp>

<sup>12</sup> Ag Products Utilization website

<http://www.growingnd.com/services/commission/default.asp?sectionID=10&subSectionID=36&pageID=130>

<sup>13</sup> <http://www.growingnd.com>

reversed. In the first three months following OFACs more restrictive definition of "cash sales", US agricultural sales to Cuba dropped by over \$300 million!

Visa and license requirements are also burdensome. Direct currency exchanges are not possible. Changing these policies is not only in the interest of North Dakota farmers, but in the best interest of our country. Forty years ago, fully 60 percent of Cuba's food imports came from the United States. Our goal should be to reach that level again. We can with a change in US policy. North Dakota can provide wheat, barley, corn, sorghum, and products such as dry edible beans and pulse crops that are staples of the Cuban diet. They are "bargain" protein foods, and for a poor country with the huge challenge of feeding its people, it gives us a substantial opportunity. With a population of 11 million, Cuba is not a huge market, but it can be a very significant market for some of our "minor" crops in North Dakota.

### Conclusion

Policymakers, producers, and consumers need to carefully consider the questions posed for discussion during these farm bill forums. A responsible approach to farm policy development, incorporating positive elements of past farm bills, while taking strong measures to ensure viability and profitability in the agricultural sector is vital.

We need to recognize the importance of supporting family farmers and ranchers and rural America as we craft a new, responsible public policy for agriculture.

Thank you for the opportunity to present my views on farm policy. I look forward to working with North Dakota producers, you and others in the USDA, Congress and state and local officials to craft a federal farm policy that provides a promising future for agriculture.